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MARCH 1991
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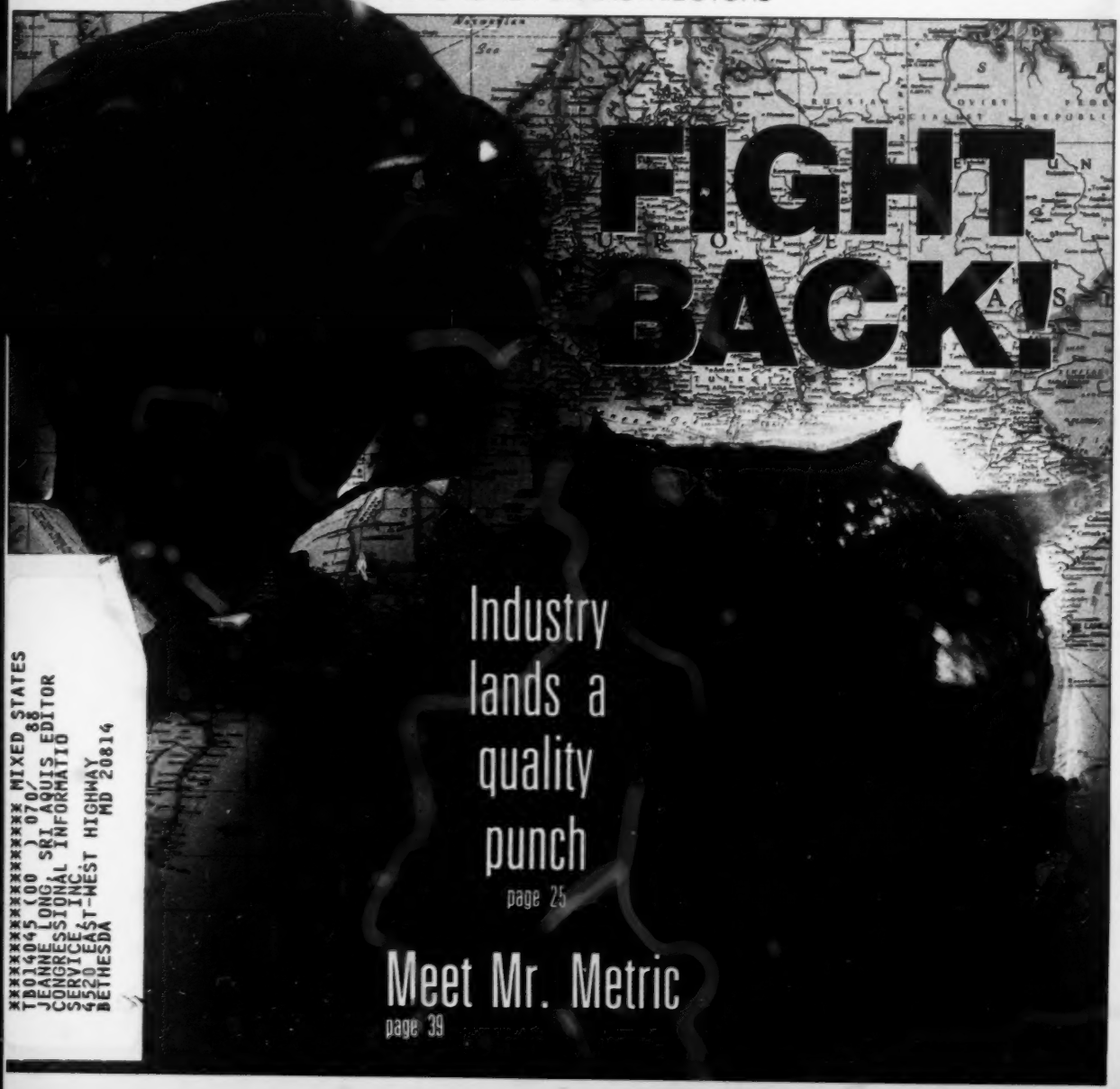
Industrial Distribution®

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

SPECIAL:

Spotlight on hand tools



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Industrial Distribution

THE MANAGEMENT & SALES MAGAZINE FOR DISTRIBUTORS

VOL. 80, NO. 4 MARCH 1991 A CAHNERS PUBLICATION

Cover photography by Jon Chomitz

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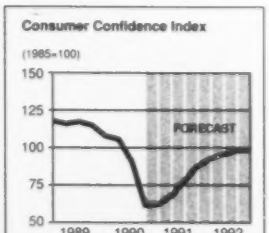

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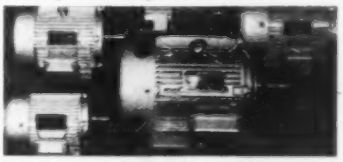

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BUSINESS REPORT

BY PAUL WATERS

Consumers hold the key

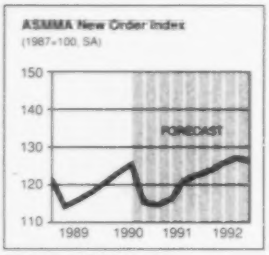
Spending patterns dictate recession's length.

Unlike the 1986 slowdown, which affected only the industrial sectors, our current downturn reflects declining consumer spending, which generally accounts for almost 65% of total economic activity.

While the 1986 industrial slump barely produced a blip in the GNP figures, this consumer-led downturn has turned into a recession.

A chill clearly settled over the economy in the aftermath of the Iraqi invasion of Kuwait. Inevitably, the consumer downturn spilled over to the industrial sector especially since consumers have cut back more on buying goods than on spending for services.

The process industries looked healthy until the end of the third quarter of 1990. Then, with the OEM sector already slashing production schedules, demand for materials fell sharply. Process industries reacted quickly, and the total production index fell from 110.5 in August to 105.5 in December.



Data source: ASMMA
Forecast source: Cahners Economics

Data source: I.D.A.
Forecast source: Cahners Economics

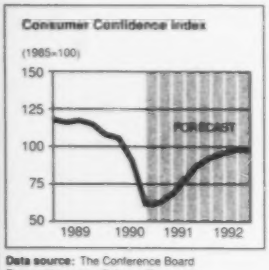
Gradual improvement is foreseen in 1991, with strength in the second half of the year. Expect a 1.4% increase in materials industry output this year. A weak dollar and strong foreign economies will boost export activity.

Not surprisingly, no material industry will see strong growth. Paper products will outpace most process industries in 1991, but the 2.6% growth expected is far from stellar. The manufacturing slump will hurt paperboard, but exports should continue to make up part of the loss.

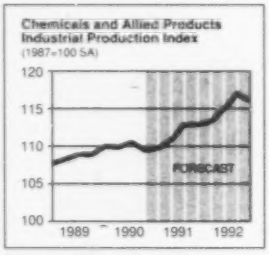
The recession will also hurt chemicals production, which will rise just 1.5% this year after a 1.4% climb in 1990. Plant and equipment spending on chemicals will rise only 8.5% after a 9.9% jump in 1990.

Plastic and rubber products output will increase 1.2% in 1991, after a sluggish 0.9% rise in 1990. Weakness in automobiles, appliances and construction held the industry back last year. As interest rates fall and consumer confidence increases after midyear, look for durable goods production to rebound, causing plastic and rubber products output to climb 5.3% in '92.

These factors will also boost primary metals production, which slid 1.1% in 1990. Rebounding end-markets by the end of 1991 will boost metals output 1.1% this year and help it surge 5.7% in 1992. □



Data source: The Conference Board
Forecast source: Cahners Economics



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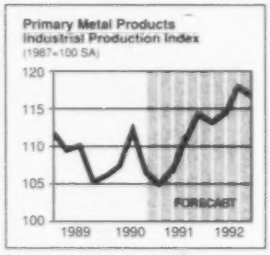

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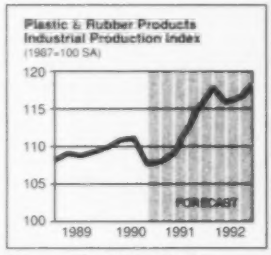

Data source: Federal Reserve Board
Forecast source: Cahners Economics

(1977=100)	SALES Dec. 1990	Nov. 1990	Dec. '90 vs Dec. '89 % change	RECEIVABLES Dec. 1990 days	INVENTORY Dec. 1990 % change
TOTAL	185.3	203.2	13.7	43.0	0.2
EAST	189.9	178.7	46.2	47.6	1.8
SOUTH	258.3	271.1	27.2	40.9	1.6
CENTRAL	150.0	176.2	1.2	45.3	-0.4
WEST	199.9	215.1	19.9	39.0	-1.6

SOURCE: Industrial Distribution Assn.